

**FINAL REPORT
OF ACCION GROUP, INC.
INDEPENDENT MONITOR
IN THE
TRACK B SOLICITATION**

Attachment No. 8

**ELECTRIC PROCUREMENT - REQUEST FOR PROPOSAL
Tucson Electric Power Company**

Tucson Electric Power Company (“TEP”) hereby issues this Request For Proposal (“RFP”) for the energy and capacity products listed below. Initial responses to this RFP are to be delivered to TEP per the schedule listed in Appendix A. Proposals must be submitted to TEP in hard-copy form, such that the Proposals are received at the location specified in Section X no later than the time specified in Appendix A.

The schedule specified in Appendix A is subject to change without notice. Changes to Appendix A will be posted on the RFP website bulletin board as soon as practicable. TEP makes no representation by this schedule or RFP that it will enter into any agreement(s) as a result of this process and retains the exclusive right to reject any and/or all proposals submitted.

TEP is seeking Proposals from prospective Sellers for the purchase of electrical generating capacity and associated energy. **Questions regarding either the solicitation process or products specified should be directed to the RFP website at: <http://tucsonelectric.com/Commercial/wholesale/index.html> or by contacting Mr. Michael Bowling at 520-745-7124.**

By submitting a Proposal in response to this RFP for any or all of the Products specified herein, the Seller acknowledges and agrees that: (1) it has or will obtain the transmission necessary to effect delivery of the power to the delivery points as set forth in this Proposal (other points will be considered in the process with the Bidder responsible for establishing that an alternative delivery point will serve TEP’s needs), (2) its bid or bids constitute a “Proposal” that shall remain irrevocable until the conclusion of TEP’s evaluation and negotiation process for each product at which time TEP shall select Proposals and the Seller and TEP shall execute a Master Agreement and confirmations for the purchase of Product(s), (3) Every Proposal must include the source of the product (i.e. market, plant, system, etc...) and the associated environmental information (including air emissions and water usage/source data) if available, and (4) Bidder must agree to permit Arizona Corporation Commission (ACC) staff to inspect any generating facility the bidder owns or controls from which it proposes to provide capacity or energy to any Arizona utility pursuant to any contract awarded as a result of this solicitation and provide written assurances that serve as guarantees against a bidder’s engaging in unlawful market manipulation as outlined in the ACC Final Track B Order.

Definitions of all terms used herein are provided in Appendix B.

Description of Products: If applicable, Seller should specify the location of the generating facility. A Standard Price and Term Sheet is appended to this RFP and must be completed and included with the Proposal. For all Products, 10 MW will be the minimum bid allowed. The eight Products listed are the preferred Products but other Products may be considered.

Delivery

TEP will entertain Proposals at the following delivery points: Vail 345 kV switchyard and Saguaro 500 kV switchyard. Sellers shall specify the proposed point(s) of delivery. TEP prefers to take delivery at the aforementioned locations but will consider deliveries at other reasonably local delivery points, such as: Palo Verde 500 kV, San Juan 345 kV, Four Corners 345 kV switchyards. Other points will be considered in the process with the Bidder responsible for establishing that an alternative delivery point will serve TEP's needs.

Product 1 – Firm Energy (6x16)

TEP will accept proposals for a **Firm Energy standard 6x16 product**, hours ending 0700 - 2200 PPT Monday through Saturday excluding North American Electric Reliability Council (NERC) holidays. In addition TEP will also consider a **Firm Energy 7x16 product**, hours ending 0700 - 2200 PPT Monday through Sunday.

Firm Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

- **Price**

Price should be structured as \$/MWh, or alternatively bid as a heat rate (Btu/kW) based on San Juan Gas Daily Index.

Product 2 – Firm Energy (“super peak”)

TEP will accept proposals for a **Firm Energy “super peak” 6x8 product**, hours ending 1300 - 2000 PPT Monday through Saturday excluding NERC holidays. In addition TEP will also consider a **Firm Energy “super peak” 6x10 product**, hours ending 1200 - 2100 PPT Monday through Saturday.

Firm Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

- **Price**

Price should be structured as \$/MWh, , or alternatively bid as a heat rate (Btu/kW) based on San Juan Gas Daily Index.

Product 3 – Firm Energy (7x24)

TEP will accept proposals for a **Firm Energy standard 7x24 product**, all hours, PPT Monday through Sunday.

Firm Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

- **Price**

Price should be structured as \$/MWh, or alternatively bid as a heat rate (Btu/kW) based on San Juan Gas Daily Index.

Product 4 – Firm Energy Call Option (standard)

TEP will accept proposals for a **Day Ahead Call Option** for a **Firm Energy standard 6x16 product**, hours ending 0700 - 2200 PPT Monday through Saturday excluding NERC holidays. In addition TEP will consider a **Day Ahead Call Option** for a **Firm Energy “super peak” 6x8 product**, hours ending 1300 - 2000 PPT Monday through Saturday excluding NERC holidays. TEP must pre-schedule the called energy prior to 6:30 a.m. Pacific Prevailing Time on the day before delivery.

Firm Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

- **Price**

Energy Cost will be based on a heat rate of 10,000 BTU/kWh, the Gas Daily San Juan Daily Index and be structured as \$/MWh.

Capacity Cost will be bid as \$/ kW*month for the term proposed.

Product 5 – Firm Energy Call Option (shaped)

TEP will accept proposals for a **Day Ahead Call Option** for a **Firm Energy shaped 6x16 product**, hours ending 0700 - 2200 PPT Monday through Saturday. To be entitled to receive capacity and associated energy for any day under this agreement, TEP must schedule a 50% capacity factor for such day. TEP must pre-schedule the called energy prior to 6:30 a.m. Pacific Prevailing Time on the day before delivery.

Firm Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

- **Price**

Energy Cost will be based on a heat rate of 10,000 BTU/kWh, the Gas Daily San Juan Daily Index and be structured as \$/MWh.

Capacity Cost will be bid as \$/ kW*month for the term proposed.

Product 6 –Firm Capacity with Dispatchable Firm Energy

This product provides firm capacity with dispatchable **Firm Energy** to be delivered within 10 minutes as specified by TEP pursuant to the Agreement (EEI/WSPP).

- **Price**

Energy Cost will be based on a heat rate of 8,000 BTU/kWh, the Gas Daily San Juan Daily Index and be structured as \$/MWh.

Capacity Cost will be bid as \$/ kW*month for the term proposed.

Product 7 – Unit Contingent Capacity with Dispatchable Unit Contingent Energy

This product provides unit contingent capacity with dispatchable **Unit Contingent Energy** to be delivered within 10 minutes as specified by TEP pursuant to the Agreement (EEI/WSPP).

Unit Contingent Energy as is defined in the attached EEI Master Power Purchase & Sale Agreement (“EEI”), and Western Systems Power Pool Agreement (“WSPP”), listed on the RFP Website (referred to as “Master Agreements”).

TEP will require an **Availability** of 97% for Summer Periods (June-Oct) and 92% for Winter Periods (Nov-May). Availability will be defined as the period hours the full contracted MW’s are available to TEP divided by the contracted period hours. For each 1% lower than Guaranteed Availability during the Summer period, the Capacity payment will be reduced by 2.0%. For each 1% lower than Guaranteed Availability during the Winter period, the Capacity payment will be reduced by 1.0%. No maintenance may be scheduled during the Summer Period. Winter Period maintenance hours will be subtracted from the contracted period hours in calculating winter Availability. Hours supplied from alternate sources by Bidder during unit outages will be counted as available hours provided that the alternate energy supplied is unit contingent or firm.

- **Price**

Energy Cost will be based on a heat rate of 8,000 BTU/kWh, the Gas Daily San Juan Daily Index and be structured as \$/MWh.

Capacity Cost will be bid as \$/kW*month for the term proposed.

Product 8 – RMR Capacity within TEP service area

This product provides Unit Contingent Capacity with dispatchable unit contingent energy to be delivered as specified by TEP. This capacity will be dispatched during times that local generation is needed in accordance with TEP operating criteria.

The physical location of RMR Capacity would be on TEP’s 138 kV or 46 kV system. This system is within the electrical boundary of Vail 345 kV substation, South Loop 345 kV substation and the Tortolita 500 kV substation.

- **Price**

Energy Cost will be based on a heat rate of 8,000 BTU/kWh, the Gas Daily San Juan Daily Index and be structured as \$/MWh.

Capacity Cost will be bid as \$/kW*month for the term proposed.

II. Scheduling and Dispatching

Each of the products must have the ability to be scheduled in accordance with the requirements of the Western Electric Coordination Council (WECC).

III. Credit Terms and Conditions

TEP has the unilateral right to evaluate and determine the ability of the Seller to perform. Please refer to the Master Agreements on the TEP Wholesale RFP website for credit requirements.

For questions regarding credit terms please contact Ms. Barbara McCormick at (520) 884-3620.

IV. Proposal Terms and Conditions

TEP will consider Proposals for the products described herein that have a term up to six (6) years beginning June 1, 2003 and ending December 31, 2008. Proposals may be tendered for any of the following: (a) individual year, entire six (6) year period, or any combination of calendar yearly periods; and (b) quarterly periods. Proposals of a longer term may be considered.

Bids will be evaluated based on price, terms, conditions, products proposal and the creditworthiness of the Seller. The quantity of capacity and/or energy will be finalized during negotiations with each Seller.

TEP is under no obligation to accept any Proposal by any Seller, and shall make a determination of which Proposal (or Proposals) meet its need for energy and capacity based solely upon its judgment of the value of the Proposals received in response to this RFP.

V. Master Agreement Evaluation and Negotiation

TEP will evaluate Proposals and enter into separate negotiations with selected Sellers. Upon successful negotiation and mutual agreement, TEP and Seller(s) will enter into an agreement. TEP may require certain agreements be subject to ACC review and approval (as described in Section VI). Either the EEI or WSPP Agreement may be used as the underlying Master Agreement (the underlying EEI and WSPP Agreements may be viewed or downloaded from TEP's website). TEP's Master Agreements are attached as Attachment 1 (EEI Cover Sheet terms and conditions) and Attachment 2 (WSPP Agreement special terms and conditions). Seller must use TEP's Master Agreement(s) templates and Seller must include any proposed revisions to TEP's Master Agreement(s) (shown in red-line) as part of its Proposal package. TEP will evaluate all proposed revisions but is under no obligation to accept any revisions.

VI. ACC Review and Approval:

TEP may require purchase agreements entered into by TEP and Seller to be subject to and contingent upon ACC approval and authorization. TEP will notify seller of any such contingency prior to the signing of Master Agreements. Pursuant to the procedure established in the ACC Track B Final Order TEP may submit transactions and related purchase agreements entered into as result of Proposal(s) received in response to this RFP for review, assessment, and recommendation to the ACC for final review and approval.

VII. Solicitation Cost

The cost of conducting each solicitation is a business expense to be borne by all bidders in a fair and equitable manner. To that end, a bid fee of \$10,000 per bidder will be required. Bidders may submit multiple proposals and the bid fee covers all proposals made by that bidder. To the extent that bid fees collected exceed the incremental expenses incurred by TEP to conduct the solicitation, such excess is to be refunded to all non-winning bidders pro rata up to the amount of the bid fee actually paid by the bidder. A company check must included with any bidder package sent to TEP.

VIII. Additional Information and Confidentiality

Until Proposals are accepted and a Master Agreement is executed, TEP and Sellers agree that the content of their Proposal(s) and the Master Agreement Cover Sheet(s) terms and conditions shall remain confidential. A Confidentiality Agreement is on the TEP Wholesale RFP website and must be signed and included with proposal(s). Neither Seller nor TEP will disclose the content of that Proposal without the consent of the other; provided, however, notwithstanding the forgoing, Sellers agree that TEP may submit the Seller's Proposal(s) to the ACC staff and Independent Monitor provided that TEP requests confidential treatment for such proposal. If either Party is compelled by court order, the ACC, the FERC, or other regulatory agency or regulatory requirement or other legal process, binding on such Party, to disclose such confidential information, such Party shall provide advance written notice to the other Party and, at the expense of the other Party, shall cooperate fully in allowing such Party to obtain a protective order or other means of protecting its interests.

IX. TEP's Reservation of Rights

TEP RESERVES THE RIGHT AT ANY TIME, IN ITS SOLE DISCRETION, TO ABANDON THIS RFP PROCESS, TO CHANGE THE BASIS FOR EVALUATION OF PROPOSALS, TO TERMINATE FURTHER PARTICIPATION IN THIS PROCESS BY ANY PARTY, TO ACCEPT ANY PROPOSAL OR TO ENTER INTO ANY DEFINITIVE AGREEMENT, TO EVALUATE THE QUALIFICATIONS OF ANY SELLER OR THE TERMS AND CONDITIONS OF ANY PROPOSAL, AND TO REJECT ANY OR ALL PROPOSALS, ALL WITHOUT NOTICE AND WITHOUT ASSIGNING ANY REASONS AND WITHOUT LIABILITY OF TEP OR ANY OF THEIR SUBSIDIARIES, AFFILIATES OR REPRESENTATIVES TO ANY SELLER. TEP SHALL HAVE NO OBLIGATION TO CONSIDER ANY PROPOSAL. TEP WILL NOT REIMBURSE SELLERS FOR THEIR EXPENSES UNDER ANY CIRCUMSTANCES, REGARDLESS OF WHETHER THE RFP PROCESS PROCEEDS TO A SUCCESSFUL CONCLUSION OR IS ABANDONED.

X. Proposal Submission

All Proposals will be sent as a hard copy with an electronic version (CD) enclosed.

Proposals should be addressed to:

**Tucson Electric Power Company
Attn: Michael Bowling
3950 E. Irvington Road, SC115
Tucson, Arizona 85714**

Please verify that you have included all necessary information and forms as part of your Proposal.
Have you included the following in your Proposal package?

- ☐ Signed Confidentiality Agreement
- ☐ Bidder fee
- ☐ Standard Pricing and Term Sheet
- ☐ Product type
- ☐ Quantity
- ☐ Term
- ☐ Delivery point
- ☐ Whether product is provided from existing or new facility
- ☐ Environmental information

APPENDIX A

SCHEDULE FOR RFP PROCESS

Products 1 - 3

3/17	TEP Issues RFP
4/23	Proposal Receipt Deadline
4/24	TEP completes Proposal evaluation
4/25	TEP notifies winners
5/2	TEP and Sellers(s) sign Master Agreements

Products 4 - 8

3/17	TEP Issues RFP
4/4	Proposal Receipt Deadline
4/24	TEP evaluates Proposals
4/25	TEP notifies winners
5/2	TEP and Sellers(s) sign Master Agreements

APPENDIX B

DEFINITIONS:

ACC: The Arizona Corporation Commission.

TEP Service Area: The system of transmission lines and associated facilities that have been placed under the Operational Control of the TEP.

EEI Agreement: The TEP standard Cover Sheet to the Edison Electric Institute Master Power Purchase and Sale Agreement along with the underlying Edison Electric Institute Master Power Purchase and Sale Agreement.

FERC: The Federal Energy Regulatory Commission.

Good Utility Practice: Any of the practices, methods, and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

Independent Monitor: Person selected by ACC Staff to oversee the conduct of the Solicitation.

NERC: North American Electric Reliability Council.

On-Peak: On-Peak hours are defined as hours ending 0700 to 2200 Monday through Saturday, Pacific Prevailing Time.

Off-Peak: Off-Peak hours are defined as all hours on Sunday, all hours on a NERC (North American Reliability Council or any successor organization) holiday, and hours ending 0100 to 0600 and hours ending 2300 to 2400 for Monday through Saturday.

TEP OATT: The FERC-approved and effective TEP Open Access Transmission Tariff as modified or superseded from time to time.

Seller: An entity, which submits one or more, Proposals in response to this RFP.

WSPP Agreement: TEP's Special Terms and Conditions to the Western System Power Pool Agreement along with the underlying Western Systems Power Pool Agreement.

WECC: The Western Electric Coordination Council.

Product Tables

TEP may request that Seller reduce the amount(s) in a particular capacity block in its Proposal. Seller should indicate in its Proposal whether it would accept such a reduction and whether any price change would apply. TEP will interpret a Seller's failure to indicate their willingness to accept a reduction as an indication that the Seller will accept such reduction at the original Price Proposed. The Product tables below should be reproduced for variations of the same product.

The table below profiles **Product 1 - Firm Energy 6x16**. The table may be filled partially.

	June		July		August		September		October	
2003	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2004	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2005	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2006	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2007	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2008	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW

☐ Please check box if monthly offers above are part of a “all or nothing” strip.

Delivery point:

_____ Saguaro 500 kV Switchyard
 _____ Vail 345 kV Switchyard

_____ Four Corners 345 kV Switchyard
 _____ Palo Verde 500 kV Switchyard

_____ San Juan 345 kV Switchyard
 _____ other :

The table below profiles **Product 2 - Firm Energy “super peak”**. The table may be filled partially.

	June		July		August		September		October	
2003	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2004	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2005	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2006	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2007	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2008	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW

☐ Please check box if monthly offers above are part of a “all or nothing” strip.

Delivery point:

_____ Saguaro 500 kV Switchyard
 _____ Vail 345 kV Switchyard

_____ Four Corners 345 kV Switchyard
 _____ Palo Verde 500 kV Switchyard

_____ San Juan 345 kV Switchyard
 _____ other :

The table below profiles **Product 3 - Firm Energy 7x24**. The table may be filled partially.

	June		July		August		September		October	
2003	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2004	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2005	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2006	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2007	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW
2008	\$	MW	\$	MW	\$	MW	\$	MW	\$	MW

☐ Please check box if monthly offers above are part of a “all or nothing” strip.

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :

The table below profiles **Product 4 - Firm Energy call option**. The table may be filled partially.

	June		July		August		September		October	
	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW
2003										
2004										
2005										
2006										
2007										
2008										

☐ Please check box if monthly offers above are part of a “all or nothing” strip.

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :

The table below profiles **Product 5 - Firm Energy call option (shaped)**. The table may be filled partially.

	June		July		August		September		October	
	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW	\$/kW month	MW
2003										
2004										
2005										
2006										
2007										
2008										

☐ Please check box if monthly offers above are part of a “all or nothing” strip.

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :

The table below profiles **Product 6 – Firm Capacity with Dispatchable Firm Energy**. The table may be filled partially.

	June - October		Calendar year	
	\$/kW month	MW	\$/kW month	MW
2003				
2004				
2005				
2006				
2007				
2008				

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :

The table below profiles **Product 7 – Unit Contingent Capacity with Dispatchable Unit Contingent Energy**. The table may be filled partially.

	June - October		Calendar year	
	\$/kW month	MW	\$/kW month	MW
2003				
2004				
2005				
2006				
2007				
2008				

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :

The table below profiles **Product 8 – RMR Capacity within TEP service area**. The table may be filled partially.

	June - October		Calendar year	
	\$/kW month	MW	\$/kW month	MW
2003				
2004				
2005				
2006				
2007				
2008				

Delivery point:

☐ Saguaro 500 kV Switchyard
☐ Vail 345 kV Switchyard

☐ Four Corners 345 kV Switchyard
☐ Palo Verde 500 kV Switchyard

☐ San Juan 345 kV Switchyard
☐ other :